

ICPS newsletter

Bicentenary!

200 weeks of the ICPS Newsletter

In the countdown to the tenth anniversary of its existence, the International Centre for Policy Studies is marking another milestone with the 200th issue of the weekly ICPS Newsletter, which was initiated in January 1999. In this expanded jubilee issue, we would like to describe to our readers how the Newsletter is put together, make some summary comments, and tell you more about ICPS, the publisher

From the editor

Most readers have no idea how many people are involved in publishing the *ICPS Newsletter*. In fact, each issue passes through many hands before it is finally released; information is collected and texts are written, endorsed, edited, translated, corrected, laid out, again reviewed—and (we hope) read.

But seriously, the *ICPS Newsletter* has no shortage of readers; each week, it is sent out to over 1,000 e-mail addresses across Ukraine and throughout the world. This distribution list grows by about twenty names per month. Moreover, an average of 1,000 times each week, copies of previous *Newsletter* issues are downloaded from the ICPS website.

Good articles should carry a message, not only information about given events—that is the rule editors of the *ICPS Newsletter* have followed during the five years of its existence. A clear, understandable idea, a description of the problem, analysis of various alternative solutions, and analysis of the results. Why does this policy issue exist? Why is the existing approach ineffective? What will happen if this problem continues unresolved? What will each of the alternatives cost? What will have to be sacrificed, what benefits will be gained? — We apply the basic questions for analysing policy to everything that ICPS works on, including compiling the *Newsletter*. We strive to be interesting for our readers, and not only inform them about the results of our research but also try to respond to issues that interest our clientele, and share knowledge with them that they may find useful.

ICPS wants to take the policymaking process in Ukraine up to a qualitatively higher level of public participation. We want to see changes in the environment, and see ourselves as an important actor in effecting such changes. Therefore, the goals of publishing the *ICPS Newsletter* remain the same today and for the future:

- to present important issues concerning policy to the highest officials and widest circles of interested parties;
- to publicise the results of our research throughout the world, thereby fostering Ukraine's openness—both to the global community and to itself domestically.

Five years ago, the phrase "public policy" was unknown in Ukraine. Today, we have full-fledged public debates on the most important issues of development of our society. We believe that democracy is no more than a given capacity of the government, a capacity of institutions, and that the persistent enhancement of this capacity will certainly improve all our lives.

Our congratulations to everyone who has been with us from the very beginning, as well as to those who have recently joined us. We may not know one another well, but we do have a lot in common. We also congratulate all those who have been involved in the creation and publication of the *ICPS Newsletter* during this—an already quite substantial—period. ■

Yevhen Shulha

Editor, *ICPS Newsletter*

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ICPS Newsletter ideas are always relevant

Below is a synopsis of the key ideas propagated by the International Centre for Policy Studies on the pages of its Newsletter throughout its existence

Democracy is not a symbol, it is applied knowledge

In Ukraine, "manufactured" (versus evolutionary) reforms assured the introduction of only one part of the democracy cycle, namely, the political institutions ensuring the transfer of power—a constitution, elections, and political parties. The other vital part of democracy, which ensures public control over the elected authority between elections, has not been established. Technical assistance programs have failed to build the democratic institutions that would ensure daily public/private interaction.

The government of Ukraine has failed to develop:

- basic skills of policy analysis that would legitimately account for differing societal interests;
- skills of policy consultations and public policy dialogue.

Meanwhile, the citizens of Ukraine have not developed:

- "know-how" for monitoring the government;
- institutions to provide feedback through civic participation.

Unfortunately, the public policy process—a cornerstone of democracy—is not a focus of technical assistance programs in countries of the former Soviet Union. Yet, public policy is ubiquitous in Western democracies, manifested in:

- university departments offering majors in public policy;
- policy analysts and policy managers in governments;
- procedures, standards for policy consultations and policy communication;
- guidelines, policy document templates, green books, white books;
- citizen participation procedures and institutions (systematic feedback, e.g., surveys on the quality of public services, open budget hearings, the Charter of Citizens).

The Western public policy process is taken for granted because it has thoroughly penetrated social life; in technical assistance to former USSR republics, it therefore seems to have been overlooked as a necessary and transferable body of knowledge and skills, being regarded instead as an outcome of political will or mentality.

(For more detail, see ICPS Newsletter No. 108)

State secretaries are professional and independent advisors to ministers

One of the ways to carry out effective administrative reforms is to clearly delineate the political and administrative functions of the executive arm of government. In such a system, the main role of professional civil servants, and especially state secretaries, is to prepare objective analyses of state policy, consider all possible alternatives, and submit unbiased information to their minister, regardless of which party s/he belongs to. The role of the minister, in turn, is to select one of the alternatives and endorse policy decisions.

In generalising the worldwide experience of state secretary positions, as key persons responsible for developing policy decisions, three areas of responsibility can be defined:

- developing strategy and ensuring consistent implementation;
- creating and ensuring institutional capacity for policymaking;
- establishing organisational conditions to ensure the high quality of government decisions.

Ministers are governed by the goals of this or that policy, while state secretaries give them analyses which include the identification of alternative means of achieving the defined goals, assessment of costs and benefits, and the anticipated effects of the various alternatives on different groups of people. State secretaries can, for example, predict how a specific decision will negatively impact a given constituency group. The responsibility for selecting that option is carried by the minister, who approves the decision.

(For more detail, see ICPS Newsletter nos 111, 116)

Reforms can be accelerated by conducting public policy campaigns

Western governments often use the services of independent think tanks for a "second opinion" and for public policy campaigns. If governments have become stuck, repeating the same solutions to solve old problems, or the solutions are not implemented, or they do not give the desired results, it is useful to bring in new instruments.

Full-fledged policy campaigns consist of three main components: analysis, consultations/communication, and implementation. Rigorous analysis of urgent policy issues includes defining the scope of the problem

(social and economic impact for stakeholders), analysis of alternatives and their implications, and analysis of implementation feasibility (legislation, institutions, infrastructure, skills, financing, and compliance with European standards). Analysis of legislation entails analysis of its policy impact, with a policy memo indispensably accompanying each legislative draft. Implementation demands a change management plan, where planning, coordination, monitoring, evaluation, and reporting are one system. This will help to develop coherent public policy, and prepare the draft laws for implementing policy.

(For more detail, see ICPS Newsletter No. 182)

Government effectiveness entails the ability to manage between various interests

Every day, the government should be weighing different interests, considering alternatives, and analysing the potential effects of implementing different decisions. When government can anticipate the consequences of its decisions and publishes its prognoses, the public comprehends its own responsibility for the actions of the government it elected. Citizens can ask themselves, "What will this government decision mean for me?" Properly informed and active citizens, first of all, make conscious decisions, and secondly, serve as a guarantee of good governance.

Effective governments should work on developing the following skills:

- defining and keeping to priorities, even under pressure from conflicting interests of various groups. It is important not to permit the desire to cater to this or that interest group to block the achievement of state policy goals;
- coordinating conflicting goals into a single overall goal;
- ability to impose decisions that could lead to losses for influential interest groups;
- ensuring the follow-through and consistency of policy during the period of time needed to obtain the results from the decisions made;
- ability to introduce new policy if old methods are proven to be ineffective.

(For more detail, see ICPS Newsletter No. 143)

How to create an effective executive government action program

None of Ukraine's governments can boast that it had executed its program in full

scope. We believe that the following reasons have been behind the failure to execute government programs:

- Government programs were statements of intent, not strategies;
- Government programs did not take into account the existence of different stakeholders;
- Government programs did not take into account that budget resources are limited;
- Required resources were scattered;
- There is no coherent system for planning, coordination, monitoring, assessment of, and reporting on government decisions;
- The responsibilities of central and local government are not delineated;
- The government does not possess comprehensive information on conditions in Ukraine;
- Irresponsible decisions that are not backed by resources sap trust in the government and undermine executive discipline.

Out of a great number of tasks, the priorities for the government should be the following:

- Devise a unified long-term national development strategy, keeping in mind the blunders committed by previous governments;
- Identify the priorities of government work and support them with resources;
- Abandon the development of government programs beyond the capacity of budget and other financing;
- Subordinate each government decision to this single strategy;
- Implement intermediate-range budget planning, in order to have an opportunity to assess the financial resources required to execute medium-term development programs;
- Embark on work jointly with the Verkhovna Rada on designing the next year's budget as soon as the previous budget has been adopted;
- Create a working group comprising representatives from the Verkhovna Rada and the executive government that will make sure proposed decisions are provided with financial resources;
- Commence regular reporting of the executive government to the Verkhovna Rada and the public-at-large, in line with the agreed criteria for government program execution.

(For more detail, see ICPS Newsletter No. 170)

International technical assistance is not working to full capacity in Ukraine

International technical assistance projects and programs in Ukraine during the last

ten years can be said to have been inconsistent and non-systematic, due to the lack of a clear, comprehensive strategy.

Comparing TA systems in Ukraine and Poland, ICPS came to the conclusion that Poland's achievements in reforming local government were directly connected to the TA system, which affected all aspects of donor activity—particularly the development of projects. Additional reasons for success have been that the policy for providing technical assistance to Poland is coordinated with the provisions of the Comprehensive Development Framework of the World Bank, while the general strategy is fulfilled under the framework of the "European Agreement", which stipulates specific measures for candidate countries on their way to the EU. The provisions of the World Bank's CDF include: long-term view, dominant role of the recipient country in developing strategy, achievement of specific development results, agreed with the general goals of the national strategy, and cooperation with all interested parties in the work process. Unfortunately, in the system of technical assistance provided to Ukraine a national strategy is lacking, as well as proper attention paid to fulfilling CDF criteria.

Given the above, our recommendations are as follows:

- Determine a strategic reform framework for Ukraine (it could be the Agreement on Partnership and Co-operation Between Ukraine and the EU);
- Ensure that the goals, objectives, and activities of technical assistance projects are aimed at fulfilling the national strategy;
- Development of technical assistance projects should be done with a view to the principles of the CDF.

(For more detail, see ICPS Newsletter No. 175)

Public control can overcome corruption

Experience in many countries shows that in order to reduce the scale of corruption and improve public administration, a balanced system needs to be established of public control that would restrict the lawlessness of politicians and civil servants. For proper functioning of this system, it is necessary to ensure:

- clear delineation of powers between the executive, legislative, and judiciary arms of government, and also between the central and local government bodies;
- the existence of working institutions of civil society and independent mass media, having significant influence and monitoring the actions of the government;
- functioning of a competitive market economy, without excessive government interference.

For full-fledged functioning of this system, it is necessary to ensure the independence of the judiciary, strategically manage public resources, and provide institutional assurance of public participation in policymaking, as well as carry out tax and budget reforms, and reform of the financial system and government procurement system.

An example of effective measures to reduce corruption could be the introduction by the Cabinet of Ministers of a regime allowing only decisions adopted at properly organised meetings of government committees and the Cabinet of Ministers to obtain the legal status of resolutions of the Cabinet of Ministers. Although some resolutions continue to be adopted by the informal and chaotic initialling process, this has become more the exception than the rule. Complying with this strict regime has protected the government from opaque lobbying pressures. When the decision-making process is transparent, and agenda issues are clearly defined and public, it is easier to explain why certain issues are not going to be considered.

(For more detail, see ICPS Newsletter nos 59, 115)

Convincing party policy will guarantee voter support

The current Ukrainian elections discourse is missing an explanation of the connection between party policy and real changes in citizens' lives. Ukrainian political parties do not know how to transform the interests of their electors into national policy. Open development of party strategy will lead to improved trust of electors in parties, giving them the possibility of making informed choices and analysing the activities of parties between elections.

Sociological surveys testify that most Ukrainians (63 percent in 2001) do not trust political parties. For their part, the parties see their main objective as winning victory in the elections; they do not make efforts to ensure the implementation of their election platforms after they come to power. Thus, citizens have no opportunity to assess party activity, nor to influence their policy. The lack of subordination and responsibility of parties to their electors causes mistrust on the part of citizens of all players in the political arena, without exception.

Political competition can allow thoughtful and convincing party action programs to significantly simplify the task of winning over many supporters. Forming stable trust in a party that enjoys the support of informed citizens has a much wider impact than spending millions on advertising.

Transparent development by parties of their policy entails the following stages:

- identifying the strategic goal of the political party and developing a common vision of desired social conditions;
- analysis of resources (competitive advantages) and obstacles to achieving the goal;
- determining problems (or missed opportunities) that hinder the achievement of the defined goal by analysing voter opinion;
- formulation of party policy alternatives to overcome these problems;
- analysis of the probable consequences of implementing each of the policy alternatives;
- public discussion of policy alternatives with voters;
- defining criteria for evaluating party activity.

(For more detail, see ICPS Newsletter No. 143)

Independent research is a useful instrument for businesses to influence government policy

Quality economic policy can benefit businesses. Elsewhere in the world, businesses are key elements of civil society; and in Ukraine, they are the only element of civil society having sufficient resources to carry out the necessary analytical and informative work to promote change in the business environment.

One of the main means of businesses impacting political decisions under new conditions is to commission independent research—analytical materials that can assist political leaders and bureaucrats to adopt better-quality decisions. These include materials that inform public servants, helping them to see more clearly the problems, and take a conceptual approach to resolving the problems. Independent research creates an intellectual climate where it is impossible to adopt inconsistent or nonsensical decisions. The independent status of the research does not mean that the researchers do not express any point of view. The main feature of the unbiased analysis is that the researcher is not bound by any political interests. Otherwise, the research will not inspire trust in citizens, nor in political players or civil servants. The second element of independence is the complete openness of the analysis. The researcher has the right to lean towards a certain position, but in this case a clear justification must be provided for supporting said position.

Not everyone has to agree with the conclusions, but independent research helps to bring the discussion to bear on the content that is truly political content. Such research eliminates the confusion which often interferes with the adoption of intelligent decisions, and also the divergence of opinions which emerges from lack of understanding and insufficient information. This is extremely important for the Ukrainian nation, where very few politicians and bureaucrats have systemic information available to them when they adopt decisions.

(For more detail, see ICPS Newsletter No. 77)

How to make strategic planning in the executive more effective

Public administration in democratic political systems—that is, those with a legitimate opposition—entails constant political competition for each government decision. Strategic planning serves as a roadmap for the government, directing the apparatus to achieve the goals of the society. Such planning is an effective instrument that assists the government to implement programs aimed at implementing the presidential vision of national development, assuring it has public support, and also managing the deliberation of political decisions.

Public procedures of strategic government planning promote the successful completion of the following processes:

- acceptance in society of the government vision of the country's future, as well as specific strategic goals and objectives corresponding to this vision;
- informing civil servants and the public about the government's goals;
- developing a feeling in civil servants of being part of a single national policy;
- effective usage of resources, thanks to the existence of clear priorities;
- creating an instrument for assessing the results and mechanisms of change management.

A general problem of strategic planning is that well-developed plans often remain unrealised. All efforts are expended on writing the plan, then it is shelved, where it gathers dust.

Experts at RAND have suggested the following principles of effective planning, complying with which will ensure successful completion of the planning process:

- involve the necessary people in the planning process;
- structure the plan effectively;

- write the plan and distribute it;
- identify deviations from the plan and make corresponding adjustments;
- evaluate the planning process and plan.

The planning process is more important than the plan. Often attention is focused on signing the document; this position is mistaken, because the real value in planning is the planning process itself. Analysis and discussing of the problems and goals can bring mutual understanding and win real public support for government actions.

(For more detail, see ICPS Newsletter No. 80)

ICPS perspective on reform objectives in Ukraine

In order to carry out reforms, the government's everyday actions need to comply with agreed priorities that will ensure the achievement of public goals by the most effective means possible. In public discussions of economic strategy, the following reform priorities were defined for Ukrainian society:

- Government reform—the government must become an effective instrument for preparing policy decisions, adopting and implementing them. Analytical support for policy decisions demands new procedures, introduction of new functions, and development of new skills in the government itself;
- Promoting business initiative—freedom of economic activity, under established competitive rules of the game, aim the people's energy at creating wealth in order to improve their own welfare;
- Ensuring the efficiency of state spending and targeted social security—the lack of control over government spending entails the risk of excessive resources being sucked from the economy, low efficiency of government spending, and failure to fulfil obligations to protect the most vulnerable groups in society;
- Staffing revolution—development of a market economy and democracy demand radical reforms of the education system, in order to ensure a correspondence between teaching programs and the knowledge required under conditions of democracy, a market, and globalisation of social processes.

Most of the problems Ukraine faces do not have simple solutions. In order to begin to be able to resolve the accumulated problems, an integrated reform strategy needs to be developed, which would govern the content of all government decisions.

(For more detail, see ICPS Newsletter No. 46) ■

ICPS Newsletter hit parade

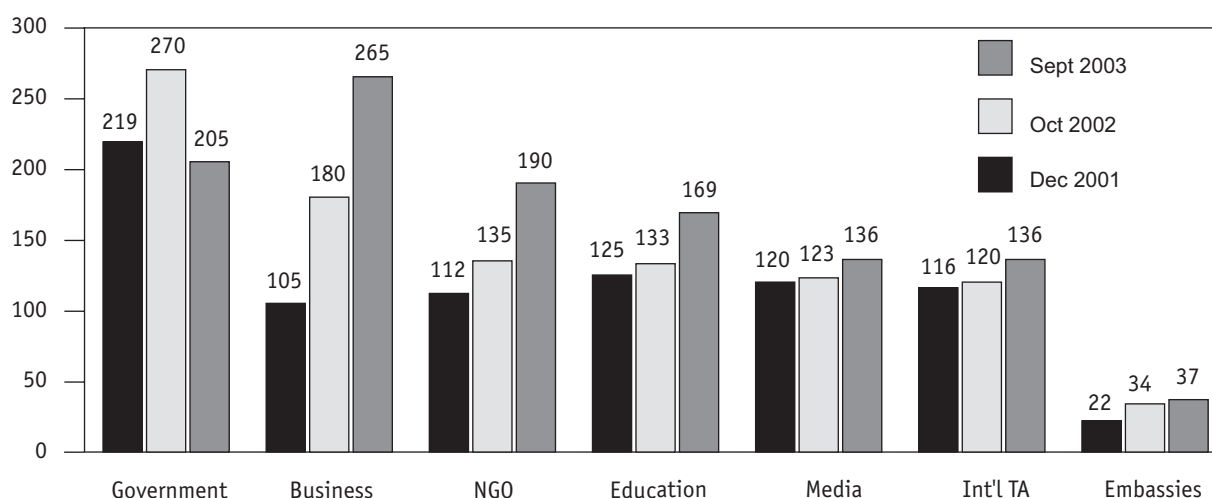
Table 1. The most popular issues of the ICPS Newsletter in Ukrainian, by number of downloads from the ICPS website during the last 12 months

No.	Title	Downloads ¹
1.	Economic legislation of 2002: were there any changes for the better? (No. 172, 13 January 2003)	143
2.	Forecasts less optimistic for Ukrainian economic growth (No. 177, 17 February 2003)	140
3.	JPMorgan: Ukraine's investment attractiveness is underestimated (No. 179, 3 March 2003)	132
4.	A stable Europe is not possible without stability in Ukraine (No. 8, 9 March 1999)	120
5.	Ukraine gains insight from Poland's experience in FDI attraction (No. 98, 26 February 2001)	117
6.	Adverse implications of delays on economic reforms: ICPS's new economic forecast (No. 181, 17 March 2003)	111
7.	Administrative reform: Polish experience (No. 88, 4 December 2000)	109
8.	Managerial decision making in Ukraine's regions to be supported with quality statistics (No. 174, 27 January 2003)	108
9.	Consumer confidence fluctuations persist (No. 178, 24 February 2003)	105
10.	Technical assistance extended to Ukraine should be allocated more efficiently (No. 175, 3 February 2003)	105

Table 2. The most popular issues of the ICPS Newsletter in English, by number of downloads from the ICPS website during the last 12 months

No.	Title	Downloads ¹
1.	Technical assistance prepared Poland to join the European Union (No. 107, 14 May 2001)	355
2.	Ukraine gains insight from Poland's experience in FDI attraction (No. 98, 26 February 2001)	291
3.	ICPS downgrades economic development forecast for 2003–2004 (No. 164, 4 November 2002)	256
4.	Indirect taxes versus direct taxes (No. 5, 15 February 1999)	242
5.	France is ready to lend a helping hand with administrative reforms in Ukraine (No. 141, 25 February 2002)	215
6.	Administrative reform: Polish experience (No. 88, 4 December 2000)	197
7.	Macroeconomic model of Ukraine has been created (No. 154, 17 June 2002)	174
8.	Decentralisation of education and reform of intergovernmental relations should be coordinated (No. 99, 5 March 2001)	172
9.	ICPS economists leave unaltered their forecast for 2002 economic growth (No. 160, 9 September 2002)	170
10.	Economic growth will slow down in 2002–2004 (No. 138, 4 February 2002)	169

Graph 1. Number of readers of ICPS Newsletter, by group



¹ Not including downloads effected by leading search engines such as Google, Yahoo, Fastsearch, Inktomi, Yandex, etc.

International Centre for Policy Studies offers research on Ukraine at a world-class level

The mission of the International Centre for Policy Studies is to introduce the concept of public policy, and relevant procedures, as a pledge of effective democracy in Ukraine and other post-Soviet countries

To this end, ICPS assists the government and the public-at-large in increasing their awareness of the need to analyse policy alternatives, and to research the possible implications of adopting or rejecting each policy alternative and reconciling competitive interests. Our objective is to establish procedures for substantive dialogue in Ukraine between representatives of the legislative and executive arms of government and the public. ICPS implements its experience in compliance with requirements for building an open society.

ICPS introduces public policy instruments in Ukraine

We are convinced that democracy is not a gift granted to some nations—not magic, but an instrument that can be learned. We use the instruments of public policy and "everyday democracy" that are widely applied throughout the world to help Ukraine to become a truly democratic country.

Independent policy analysis

Thanks to its experience in economics and other spheres, ICPS can assist its clients—businesses, government, and international organisations—in making strategic decisions, being guided by the principles of involvement of all stakeholders, representation and analysis of all viewpoints, and independent conclusions and recommendations.

Training

Building a democratic society in Ukraine demands that all sides participating in the policymaking process apply wholly new procedures and qualifications. We develop and implement training for the government of Ukraine and for NGOs in the areas of strategic planning, developing policy, analysis of state policy, and preparation of documents according to international formats and standards. Thus, ICPS objectives in this area are:

- development and implementation of on-the-job training programs in policy analysis for the civil service;
- assistance to NGOs in introducing mechanisms and procedures that promote an efficient and responsible government;
- ensuring public participation in policy-making;
- functioning as a "resource centre", summarising and sharing with other NGOs the experience of dealing with technical assistance programs, government structures, businesses, and NGOs, training in public policy know-how.

Publications

ICPS publishes and disseminates its research results in its own line of publications. They are a trustworthy source of up-to-date information, independent macroeconomic analysis and forecast for Ukraine's economic development, as well as independent opinion on government policy. This information is essential for strategic decision making and developing marketing plans, and it assists in better understanding the economic and political situation in the country.

Fields of research

ICPS works in key areas of change management where Ukraine is transitioning from totalitarianism to democracy.

Economic policy

Aiming to increase social prosperity, economic policy is an important element of the overall national strategic vision for Ukraine. The main objectives of economic policy during the transformation phase in which Ukraine currently finds itself is to create an environment which will promote the development of private initiative and the effective usage of public resources.

ICPS applies the latest economic technologies in researching the most important issues concerning Ukrainian economic policy today.

Public administration

The Ukrainian government must transform itself from the cog that it was in the totalitarian machine into a means of managing a market economy and pluralistic society in a democratic context. Its function as a player in economic processes has to be ultimately eliminated, and new functions of formulating policy and establishing transparent and fair regulation must be learned. Developing this strategic role for the government requires introducing new procedures for policymaking and strengthening analytical capability. ICPS carries out research and designs training programs aimed at increasing the institutional capacity of the Ukrainian government to implement reforms.

European integration

Ukraine hopes to achieve the levels of democracy and economic development found in Europe by moving towards European integration. ICPS supports this aim by:

- promoting the introduction of EU standards in various spheres of public life;
- increasing public awareness regarding the benefits of EU accession.

Educational policy

The development of a market economy and democratic society demands new approaches to education that ensure a correspondence between teaching programs and the knowledge required for market conditions and globalisation trends. ICPS contributes to the transformation of education in Ukraine by promoting the capability of the government to work together with the public in developing and implementing educational policy.

Regional policy

During the totalitarian regime in Ukraine, the decision-making system was overwhelmingly centralised. Democracy demands that public administration be decentralised, local self-government empowered, and horizontal ties between regions strengthened. ICPS helps regional governments in Ukraine to improve the quality of their policymaking through introducing public policy procedures. ■

Publications that help you make effective decisions

An important advantage of ICPS research is its regularity. We update our economic forecasts on an ongoing basis and monitor changes in national policy issues in order to assure our clients the most relevant data and forecasts, so that they can make informed decisions

ICPS's publications policy entails in maximum coverage of the results of our research in our in-house publications, as

well as reporting on our ongoing activities. The current assortment of ICPS publications includes:

- *Quarterly Predictions* — a quarterly review and forecast for the development of Ukraine's economy;
- *Political Commentary* — monthly results of our analysis of government policy and the sources impacting its formation;

- *Consumer Confidence* — quarterly research on household expectations;
- *Economic Statistics* — a monthly table of statistical data important for doing business in Ukraine;
- *Regional Trends* — a periodical review of economic development in Ukraine's regions, and recommendations on regional policy;
- *Policy Studies* — highlighting the results of research on important issues concerning government policy;
- *New Economic Legislation* — an annual special issue of the Policy Studies journal that analyses legislative changes which affect doing business in Ukraine.

Quarterly Predictions — the first regular economic forecast from an independent think tank in Ukraine

Thanks to its quarterly macroeconomic forecasts, ICPS won its reputation as one of the leading independent think tanks in Ukraine that does research on economic conditions in the country. The opinions of the QP economists are authoritative—both for the Ukrainian government in determining national policy and for businesses wanting to improve their performance.

Quarterly Predictions presents our analysis of development trends in the Ukrainian economy, based on our ongoing review of events and our assessment of their impact on economic processes in Ukraine. Above all, this allows our clients to gain an understanding of the principles or circumstances governing the development of the Ukrainian economy, and foresight with regard to future dynamics of Ukraine's economic processes.

Macroeconomic analysis and forecasting help to assess the potential benefit from favourable factors, as well as possible losses connected with risks; in other words, to better plan one's activity. The main forecast indicators in *Quarterly Predictions* are:

- gross domestic product;
- consumer price index (inflation);
- producer price index;
- exchange rate;
- trade balance, current accounts balance;
- budget balance;
- bank lending interest;
- household incomes and spending;
- investments.

The QP Group at ICPS was founded with the assistance of the New Zealand Institute for Economic Research (NZIER), which has published quarterly reports on the New Zealand economy since 1961. ICPS econo-

mists have played a key role in the expansion of quarterly economic forecasting; today, the QP technology is applied in the in-house quarterly predictions of the Ministry of Economy and European Integration of Ukraine and the Soros Foundation's independent think tank in Kazakhstan, while negotiations are underway to inaugurate a similar endeavour in Moldova.

Political Commentary complements ICPS research with detailed analysis of the political situation in Ukraine

At the start of 2003, ICPS's Board of Supervisors exhorted us to react more vigorously to the need of Western businesses and donors to access regular and objective information about political changes in Ukraine. The Board was of the opinion that Ukraine loses a lot of potential foreign investment due to insufficiently reliable information about the situation in the country, and that ICPS as a think tank has the possibility to properly fill this niche. The pilot issue of the new publication, titled *Political Commentary*, came out in April 2003 and was picked up with interest by ICPS's partners.

We hope that *Political Commentary* will assist the international community to better understand the level and directions of changes taking place in Ukraine, make assessing political risks easier for investors, and enable Ukrainian politicians to improve their own performance. Publishing this analytical bulletin has allowed ICPS to engage a high-powered team of political analysts, thereby complementing ICPS's economic forecasts with a better analysis of the effects of political changes on the dynamics of economic processes in Ukraine.

Read all about your sales performance in *Consumer Confidence*

ICPS's publication *Consumer Confidence* contains a quarterly analysis of the behaviour of Ukrainian consumers. The main input for this assessment comes from the Consumer Confidence Index (CCI), which is determined based on a selected poll of 1,000 Ukrainians aged 15–59—the most economically active category of citizens of Ukraine. The index is analysed in a cross-section of material standing, age, and place of residence of the respondents. The research project is implemented jointly by ICPS and the GfK-USM company, which does market and sociological research.

A standard set of questions provides the data for the calculation of seven separate and three aggregate indexes that predict the future behaviour of Ukrainian consumers, and their expectations regarding:

- future changes in personal material situation;
- changes in the economic situation in the country in the nearest future;
- changes in economic conditions of the country in the long term;
- propensity to consume in general;
- expectations of citizens regarding the dynamics of inflation and unemployment.

Consumer Confidence provides company management with information that allows them to assess the risks of changes in demand, as well as the dynamic and development prospects of the consumer market, and to plan future business activity effectively, also taking into consideration regional differences in doing business in Ukraine.

Accessible *Economic Statistics*

According to a recent client survey, *Economic Statistics* is the second most popular publication produced by ICPS. This monthly collection of statistical information provides our client with up-to-the-minute information on the macroeconomic situation in Ukraine, foreign trade conditions, cash incomes and expenditures of the population, price levels and inflationary expectations of households, labour markets, and the banking sector. *Economic Statistics* offers the most useful information for anyone doing business in Ukraine, including data from official sources (State Statistics Committee, the National Bank of Ukraine, State Treasury) as well as ICPS's own research.

Potential of Ukraine's regional economies finds a forum in *Regional Trends*

Ukraine's legacy from the Soviet Union includes an uneven development in Ukraine's regional economies, as well as territories with varying economic capacity and different potential for future development. The investment attractiveness of all of Ukraine's oblasts has not been sufficiently studied, due partly to the lack of accurate statistical information and also the small number of modern studies on this subject.

This year, ICPS inaugurated its own research on Ukraine's regional economies, in order that the Ukrainian government and the public could have a better grasp of the main reasons underlying Ukraine's regional development problems. We want to help companies when they make strategic decisions on doing business in Ukraine's regions, and to draw the attention of foreign investors to the problems, as well as the opportunities, in Ukraine's depressed territories.

With the support of the Open Society Institute and the East-West Management Institute, basic groundwork research was

conducted on the development of Ukraine's regions during the ten years of independence. The results of this unique study were published in the first issue of *Regional Trends* in summer 2003. In analysing the socioeconomic conditions and potential of Ukraine's oblasts, we considered important factors such as regional economic growth dynamics, human resources, quality of life, competitiveness of the local economy, business climate, development of infrastructure, investment and innovation activity, and internal markets. The first issue provides a summary of the comparative analyses, which reflect various areas of socioeconomic development of each region, and a detailed description of their economic potential.

Starting with the second issue, *Regional Trends* shall offer an in-depth analysis of economic trends in regional economies during the most recent six months, as well as a short-term forecast. In our research, we follow the criteria and standards for regional policy that are in effect in the European Union.

Get the big picture with *Policy Studies*

Policy Studies is the name of an occasional paper series that publishes the results of ICPS's large-scale analyses of state policy and those of our partners. This series includes an annual project to analyse changes in Ukrainian legislation

that have a direct impact on the economic situation and on business activity in Ukraine. Since January 1999, ICPS has published 20 issues of *Policy Studies*, the most popular of which have been "Ukraine's Future: A Plan for the President", "Party Policy", and "Environmental Policy". This publication is distributed free of charge to all ICPS publication subscribers. ■

Subscriptions to ICPS publications can be ordered by telephone (+380-44-236-5464), e-mail (marketing@icps.kiev.ua) or on-line (<http://www.icps.kiev.ua>). Individual issues of ICPS publications can also be purchased at ICPS's Internet Shop at (<http://www.icps.kiev.ua/store/>)

Proof of ICPS influence on reforms: Examples from ICPS research projects

Activities of the International Centre for Policy Studies are aimed at developing the capacity of the government to effectively apply policy analysis instruments in formulating national policy, as well as strengthening the role of non-government organisations and strategic research for Ukrainian and foreign businesses

Strengthening regional NGOs: "People's Voice" project

In November, 1999 ICPS commenced implementation of the "People's Voice" project, whose aim in the pilot cities (Ivano-Frankivsk, Kupiansk, Ternopil, and Chuhuiv) was to create coalitions of NGOs in order to introduce mechanisms and procedures for involving the public in creating effective, responsible, and open government. The "People's Voice" project was developed under the framework of a program to combat corruption in Ukraine, supported by the World Bank (IBRD), the Canadian International Development Agency, the US Agency for International Development, and other donors.

Project objectives

While the main focus of public administration reform programs in Ukraine was aimed at the activities of the central government, local administrative bodies—especially municipalities—have not been actively involved in reform processes, regardless of the fact that 40% of state expenditures go to cities and oblasts. Many donors programs in Ukraine have focused their activity only on the development of civil society or on executing administrative reforms; meanwhile, the "People's Voice" project works in both these areas. The project is implemented at the local level, where the problems of government services "closer to home", e.g., who does repairs in the housing, if they are needed? why is garbage not being collected? when will the hot water supply come back on? what about the quality of education? where can complaints be submitted? These are only some of the large

number of everyday problems that citizens are concerned about, and that local government bodies should be ready to resolve in order to improve the services they provide.

Project results

The training conducted, coalition created, and project activities highlighted in the local press resulted in local organisations increasing their institutional capacity for effective dialogue with local governments, as concerns the improvement of government services.

- Coalitions of community organisations have been created in the pilot cities, and the parameters for management of their work have been determined, thanks to discussions between representatives of the NGOs, which participated in a July 2000 international conference on coalition building; and coalitions were established in July 2000, with corresponding strategies and workplans for project implementation developed;
- Research and monitoring were conducted on the quality of government services offered at the local level (public utilities, education, healthcare, executive government, etc.), as well as establishment on its basis of dialogue between citizens, business representatives, and public servants—in order to improve the quality of said services;
- creation at executive government bodies of working groups on economic development, administrative and legislative reform, social services and public utilities, urban planning and development—producing 12 documents analysing the policies of

local government bodies as they apply to current issues in the lives of local communities;

- an educational program was inaugurated titled "Development of policy to increase the effectiveness of local services", with the participation of nearly 60 civil servants;
- a methodological manual was created on public participation, containing the results of work for the study of both domestic experts and practitioners from CEE countries; and a manual was created on developing local government policy;
- budget hearings were commenced and state complaint centres were established in the city of Ternopil.

Elements of the "People's Voice" project are being used, in full or in part, by other donor organisations in Ukraine. For example, this applies to the development of the "Partnership for Transparent Society" project, financed by USAID, which was based on blueprints produced by "People's Voice" project experts and by its research component. Many types of activity to promote public involvement that were recommended in the "UNDP Report on Human Development in Ukraine" were developed under the guidelines of the "People's Voice" project.

Assistance to the Executive Government: "Creating Policy Analysis Groups" project

Creating policy analysis groups within the executive government of Ukraine aimed to systematically increase its capacity to develop public policy. In the Central European EU candidate countries, such abilities were stipulated as a requirement by the European Union. In Ukraine, such requirements were not demanded, and this has been a substantial factor in the

slowness of democratic transition, if not its complete dysfunctionality.

The seminal PAG project was carried out during the period from 1 September 2000 to 31 June 2001. Project participants and beneficiaries were civil servants representing the Secretariat of the Cabinet of Ministers of Ukraine, Ministry of Economy of Ukraine, Ministry of Finance of Ukraine, and Presidential Administration of Ukraine.

The project, initiated by the International Renaissance Foundation, the International Centre for Policy Studies, and the Open Society Institute, was implemented with financial support from the IRF under the framework of a Cooperation Agreement with the Cabinet of Ministers of Ukraine. Consultation for the project executives was provided by the Canadian International Development Agency (CIDA).

Project objective

The project objective was to train specialists in the government who would be able to develop government policy alternatives using the following methods:

- policy analysis;
- strategic planning;

- coordination and management of policy development and implementation processes.

Project outputs

The project demonstrated:

- efficiency, effectiveness of the new paradigm of technical assistance to Ukraine;
- Public servants' preparedness to study and work under new conditions.

A special feature of the project was the combination of analytical research, new training process and the routine work of public servants. Correspondingly, project outputs are:

- policy papers prepared by Ukrainian government officials according to international policy analysis standards;
- knowledge and skills acquired by project participants as result of participation in workshops, training seminars, and consultations with international experts;
- new standards and procedures for government work, developed and introduced by project participants;
- an Informational Resource Centre created in the Secretariat of the Cabinet of Ministers of Ukraine.

A key project component was training in the skills of policy analysis, strategic planning, policy development and implementation, consultations, etc. Training was provided during the whole term of project realisation.

Special assignment

One of the groups had a special assignment to develop document standards and decision-making procedures. The group was working under the leadership of Deputy State Secretary of the Cabinet of Ministers of Ukraine.

This group developed the "Main Principles of the Revised Regulations of the Cabinet of Ministers of Ukraine", which introduced the following principles to improve government decision making:

- stricter procedures to make sure that no strategic government decisions can be prepared and considered without policy analysis and evaluation of alternatives;
- requirements for the organisation, mechanisms and monitoring of enforcement of laws, presidential edicts and orders, and executive government documents. ■

Table 3. Commissioned research

Name of project and year of implementation	Client	Justification for research	Result
Ukraine's telecommunications market analysis (2002)	Kyivstar CJSC	Lack of information about the market necessary for making investment decisions	The Telenor company, an investor in the Kyivstar CJSC, purchased an additional packet of Kyivstar shares, gaining control over the Kyivstar CJSC
Monitoring social development indicators (2002)	Swiss Development Corporation	Insufficient information about Ukraine, specifically, about dynamics of development indicators	Comprehensive information about the dynamics of economic, political, and development of Ukraine, in order to make decisions concerning technical assistance programs
Informational and analytical support to Ukrtelekom OJSC privatisation (2002)	Ukrtelekom OJSC, the State Committee on Communications, ICPS	The lack of research analysing public policy options for regulation of the telecommunications sector in Ukraine for this sector	Submitting for public discussion options of telecommunications sector development and public policy options
Evaluation of the impact of Western NIS Enterprise Fund investments on the Ukrainian and Moldovan economies (2002)	Western NIS Enterprise Fund	Justification of the feasibility of investing in Ukrainian and Moldovan enterprises before the Supervisory Board of the Western NIS Enterprise Fund	The research report was presented at the meeting of the Supervisory Board of the Western NIS Enterprise Fund
Party Policy (2001)	ICPS, LGI	The lack of party programs which include substantiation of public policy proposed by these parties	Representatives of VR political blocs incorporated the "Party Policy" into the Parliamentary Coalition Agreement
Analysis of the implications of implementing a mixed excise tax system for tobacco products (2000)	JTI	The necessity of performing an independent analysis of policy options for tobacco product taxation	The tabled policy option, evaluated by us ICPS not being aligned with social goals, was rejected by the Verkhovna Rada Committee

Future ICPS activity to be defined by new strategy

Since the beginning, the International Centre for Policy Studies has chosen as its mission to propagate in Ukraine the concepts and procedures of public policy, thus assisting the government and the Ukrainian public to better comprehend the necessity of analysing policy alternatives and researching the consequences of adopting or rejecting each possible option. Today, we believe this mission has been accomplished, and are moving on to new objectives

In May 2003, the Board of Supervisors of ICPS approved a new strategic plan, according to which the main principles governing ICPS activity in the future will be:

Independence assured by reputation

- to remain trustworthy; thus, we ought to be financed from various sources, retaining our financial independence;
- to provide our clients with an up-to-date effective and reliable research methodology;
- to be a recognised policy centre, actively and persistently presenting ICPS, our outputs, and services to donors, businesses, the mass media, and potential clients.

Impact transformation through high-quality products

- to build up in-house capacity for generating high-quality research;
- to increase our cooperation with government institutions, the Verkhovna Rada of

Ukraine, international donors, and other leading research centres in Ukraine;

- to apply ICPS expertise in training and consultation, reinforcing our role as a resource centre.

In order to attain these strategic goals, ICPS adopted an action plan aimed at:

- making ICPS more recognisable and trusted;
- strengthening our financial stability;
- improving the performance of ICPS employees.

The plan envisages surveying the opinion of ICPS clients about the quality of our publications and the need to modify our publication strategy, as well as launching a marketing campaign, targeting business clients, promoting the sales of our publications via the Internet, etc.

Financial stability is also of considerable importance, as ICPS's activity is not guar-

anteed by any fund or monetary reserves. In these conditions, financial planning must be particularly accurate, because any crisis situation would have an adverse impact upon ICPS and would be hard to control. In order to effect changes in the financial management system, we need to implement new financial management tools and create reserve funds.

In order to enhance the performance of ICPS employees, a system of project execution monitoring has been put into action; standards and templates were designed to simplify work on project proposals for donors and business clients; monitoring of tender proposals and competitions was commenced; and presently, a comprehensive system for ICPS human resource management is in the pipeline.

We are guided by our strategy

- Weekly: the ICPS council monitors execution of the strategic plan;
- Semiannually: the ICPS Supervisory Board monitors and revises the strategic goals at its meeting;
- Annually: at year-end, we will assess the activities of ICPS and our experts in terms of the strategic plan goals. ■

Current ICPS projects

Monitoring Ukraine's socioeconomic conditions in 2002–2003.

Commissioned by the Swiss Department of Co-operation (SDC), ICPS is conducting an analysis of changes in the past year in Ukrainian society, in areas including economics, politics, social conditions, security, environment, culture, and humanitarian sphere.

Economic modelling and forecasting in Ukraine: Phase 2.

A project aimed at supporting the practice of executive government bodies using a macroeconomic model of Ukraine in their work that was jointly developed by experts from the Conference Board of Canada, ICPS, and specialists of the Finance Ministry, the National Bank, the State Statistics Committee, and the Economy Ministry.

Development of capacity of regional think tanks for policy analysis at the local level. The aim of this project is to create a network of regional think tanks that will carry out independent research on the policies of local government bodies.

Secondment of an ICPS expert to the Ministry of Economy and European Integration of Ukraine. The goal of this project is to develop the capacity of employees of the Department of European Integration of the ministry to fulfil the objectives of Ukraine's European integration strategy.

Creating policy analysis centres in Central Asian countries.

A series of trips by ICPS experts to former Soviet republics in Central Asia, with the aim of assisting the creation of independent think tanks and transferring experience from ICPS.

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Future plans for ICPS

People's Voice-2. ICPS completed the full three-year implementation cycle of the "People's Voice" project, aimed at strengthening interaction between the public and local government bodies, and took part in an open competition to continue the project. ICPS passed the initial selection phase and made it onto a shortlist of organisations invited to submit detailed proposals for consideration by the competition committee. The announcement of the winning organisation is expected soon.

Institutionalisation of the public consultation process. ICPS is conducting negotiations with donors and the Ukrainian executive regarding the commencement of a wide-ranging dialogue between the government and representatives of Ukraine's civil society on the most urgent problems of state policy, and taking into account therein of a "second opinion"—that of the public and of NGOs.

Series of projects for the Ministry of Economy. ICPS specialists are soon to commence working on three projects aimed at optimising functional processes and strengthening the function of strategic planning and monitoring the execution of plans in the Ministry of Economy and European Integration of Ukraine.

New & improved ICPS website. Design improvements to be made to the ICPS website will make it better organised for searching for necessary information; it will also highlight ICPS activities and will be supplemented by useful new pages.

Creating a network of think tanks in CEE countries. ICPS has initiated cooperation among think tanks under the aegis of the Open Society Institute. Joining together with similar centres in Poland, Bulgaria, Estonia, and Latvia, and other non-government research organisations from over 20 countries of Central and Eastern Europe and the former USSR, we plan to create an international analytical network capable of carrying out large-scale research and projects in the region.